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U.S. FARM SECURITY ADMINISTRATION

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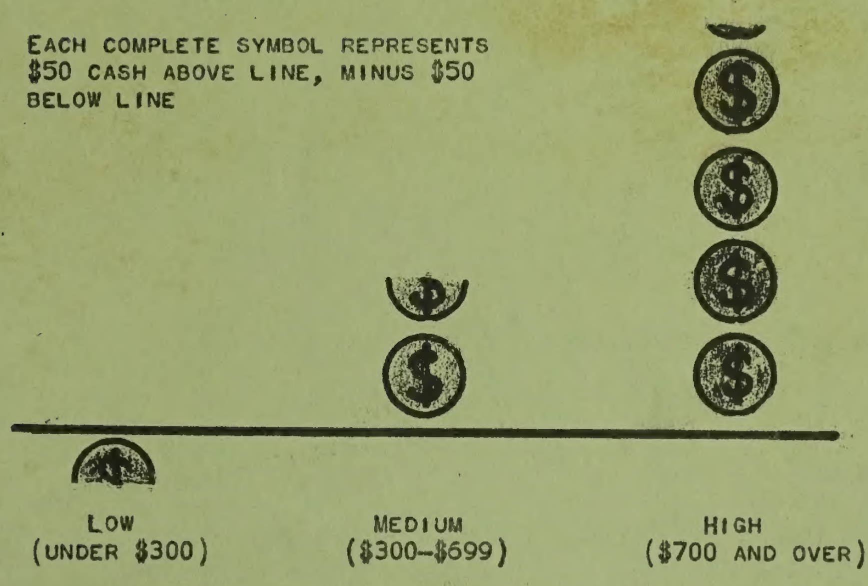
(FOR ADMINISTRATIVE USE ONLY)

REHABILITATION PROGRESS IN 1940 OF FARM FAMILIES AIDED BY THE RURAL REHABILITATION PROGRAM

SURPLUS CASH ABOVE LIVING EXPENSES IN 1940 OF BORROWERS IN DIFFERENT INCOME LEVELS YEAR BEFORE COMING ON PROGRAM



SURPLUS CASH ABOVE LIVING EXPENSES IS THE CASH REMAINING AFTER DEDUCTING CASH FAMILY LIVING EXPENDITURES FROM NET CASH INCOME. BORROWERS IN THE LOWER INCOME LEVELS BEFORE ACCEPTANCE DID NOT HAVE SUFFICIENT INCOME IN 1940 TO COVER CASH FAMILY LIVING EXPENDITURES. (SEE TABLE 18 IN TEXT)

PLANNING AND ANALYSIS SECTION
RURAL REHABILITATION DIVISION
NOVEMBER 14, 1941

Contents

Introduction

This is the second of a series of reports to be issued for Administrative use based on data from the 1940 Annual Family Progress Report on Active Standard Rehabilitation Borrowers.

In any governmental action program it is necessary from time to time to measure progress toward stated objectives. In the RR program this calls for an evaluation of the success of the program in establishing low-income farmers on a self-supporting basis. The purpose of this study is to present objective measures of progress of families since coming on the RR program and to compare the present position of borrowers with minimum living levels. Some of the factors related to progress are also presented in this study.

Progress is, of course, a vague and relative term indicating that the families are living a more desirable life. Improvement in net income and net worth are the best measures of progress that are now available but admittedly these are only fairly satisfactory. In the first place, certain important items of progress such as changed ideas or improved health are not clearly shown; and second, income and net worth figures are sometimes not accurate. Another indication of progress might be production of home use goods. Throughout the following report these three items are used as a measure of progress and are set up against minimum living levels when these minima are available. The 1940 Progress Report upon which this study is based was filled out by county supervisors for approximately one-fifth of the active standard RR case load or a sample of about 81,000 families.

REHABILITATION PROGRESS IN 1940
OF FARM FAMILIES AIDED BY THE RURAL REHABILITATION PROGRAM

Brief Summary

1. By 1940 the average net income of RR borrowers had increased more than one-third since the families came on the program. Despite this increase, nearly two-thirds of the borrowers still had incomes below $700, and about one-fifth had incomes under $300. However, the proportion of the borrowers in the lower-income brackets was considerably lower in 1940 than it was before the borrowers came on the program.

2. Considerably more than half of the increased income has resulted from greater production for home use. Families were not reducing cash expenditures for family living. The larger production for home use was being added to rather than substituted for cash family living expenditures.

3. Borrowers in three regions had a smaller net worth in 1940 than before coming on the program. When allowance is made for debt adjustment, borrowers in five regions showed a decrease in net worth. In net worth exclusive of real estate assets and debts, more than one-third of all borrowers owned less equity in 1940 than before coming on the program. About one-fourth had more than doubled their equity.

4. Home production in 1940 of fruits and vegetables, meat, and milk, was from one-third to one-half greater than the families were able to maintain before becoming borrowers. Comparison of home production as shown by different RR Family Progress Reports indicates no definite upward trend in production. In fact production in 1940 appeared somewhat below that of 1938 and 1939.

5. The borrowers at the lower-income levels have increased their net incomes more absolutely and in much greater percentage than the higher income groups.

6. The lower-income groups showed greater progress in home use production than borrowers in higher brackets.

7. The higher-income borrowers were much more successful in increasing their net worths than the lower-income groups.

8. Since cash living expenditures closely approached or exceeded cash income plus grants in the lower-income groups, there was little or no opportunity for these groups to increase their net worths by paying off loans or adding to their capital.

9. No relation was found to exist between length of time on the program and progress. Borrowers who have been supervised for one year were doing about as well as borrowers who have been on the program four or five years.

PART I. THE NATURE AND EXTENT OF FAMILY PROGRESS

A. IMPROVEMENT IN FAMILY LIVING

Are the RR families improving their net incomes so they can buy more of the things they need? Are they raising more vegetables and fruit and other foods which will improve their health and efficiency? Some of these questions will be considered in this section.

1. Improvement in Net Family Income.

Changes in income and expense items of borrowers are shown in Table 1. A considerable increase in gross income and a somewhat smaller increase in net

Table 1. Income and Expense for all RR Borrowers
Year Before Acceptance
Compared with 1940

Item	B/A 1/	1940	Increase Dollars	Increase Percent
Gross Income	$ 702	$ 990	$ 288	41
Cash Operating Expenses	222	339	117	53
Net Family Income	480	650	170	35
Value of Home Use Products	163	264	101	62
Net Cash Income 2/	317	386	69	22

1/ The symbol "B/A" in all tables and charts in this report refers to the year before acceptance on the program.

2/ Net cash income also includes the rental value of the home.

income is shown. This means operating expenses have increased at a faster rate than gross income. The percentage increase in value of home-use products was about twice as great as the increase in cash income.

Net income changes of borrowers are shown in Table 2. For the country as a whole, the income of RR borrowers has been increased by 35 percent since coming on the program. The greatest percentage and absolute increases in net income occurred in Regions VII, VIII, and XII, while X showed a large absolute increase. These regions embrace a part of the Great Plains States and some of the improvement can probably be attributed to higher rainfall in that area during recent years.

The average net income of all sampled borrowers in 1940 was 93 percent of a $700 minimum, but this figure does not give a true picture of the present position of borrowers. It does not show the number of families who are still

Table 2. Gain in Net Family Income of RR Borrowers Since Coming on the Program

Region	Net family income B/A	Net family income 1940	Increase Dollars	Increase Percent	1940 income as percent of $700 minimum 1/
U. S.	$480	$ 650	$170	35	93
I	837	967	130	16	138
II	605	820	215	36	117
III	578	731	153	26	104
IV	596	768	172	29	110
V	276	394	118	43	56
VI	342	500	158	46	71
VII	405	680	275	68	97
VIII	469	669	200	43	96
IX	952	1,102	150	16	157
X	738	973	235	32	139
XI	863	1,038	175	20	148
XII	451	728	277	62	104

1/ Mr. Maddox discussed the cost of minimum living requirements in an article in the Journal of Farm Economics for November, 1939. The figures he used for the value of minimum physical and cultural requirements for a farm family of five were: South - $705; North - $820; West - $845. A minimum income of $700 has been used only for comparative purposes and should not be considered as a definitely established goal.

in the very low income brackets. However, the average figures for the whole country do show the extent of poverty in certain areas - Regions V and VI in the South for example. In Region V the average income of all borrowers was less than two-thirds of the $700 minimum.

A more complete picture of progress is given in Figure I on page 3. It shows the percent of borrowers in different income levels before coming on the program compared with the percent in these levels in 1940. Low-income borrowers are moving to higher income levels: about one-half of the borrowers who had net incomes under $300 before acceptance had moved to higher brackets by 1940, while the percent of borrowers above $700 income almost doubled from before acceptance to 1940. Although improvement in income was definitely noted, two-thirds of the case load were still under a $700 minimum income. The income of the one-third above $700 was sufficiently high to bring the average net income of all borrowers to $650.

Great variations in extent of poverty among regions still remain. Region V had 65 percent of its case load under $300 before acceptance compared to the United States average of 36 percent. Forty percent of the borrowers in Region V were still below $300 in 1940, while only 18 percent of all RR borrowers in the nation were under this figure. (See Table 3).

FIGURE 1. PERCENT OF RR FAMILIES IN DIFFERENT INCOME LEVELS YEAR BEFORE ACCEPTANCE COMPARED WITH 1940, UNITED STATES

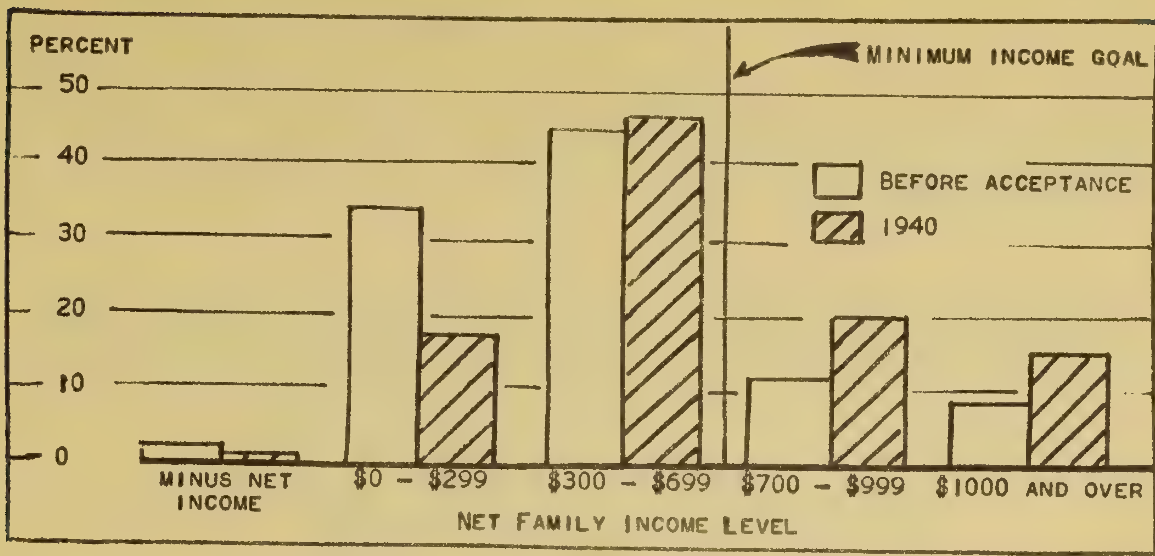


Table 3. Percent of RR Families in Different Income Levels, B/A and 1940 by Regions

Region	Year	Minus net income Percent	$0 - 299 Percent	$300 - 699 Percent	$700 - 999 Percent	$1000 and over Percent
U.S.	B/A	2	34	45	11	8
	1940	1	17	47	20	15
I	B/A	3	9	35	23	30
	1940	3	6	28	25	39
II	B/A	1	13	56	19	11
	1940	1/	4	41	30	25
III	B/A	1	16	57	17	9
	1940	1/	7	51	25	17
IV	B/A	1/	13	58	20	9
	1940	1/	4	46	30	20
V	B/A	1	64	31	3	1
	1940	2	38	49	8	3
VI	B/A	1/	47	48	4	1
	1940	1/	20	62	14	4
VII	B/A	5	34	47	9	5
	1940	1	12	47	23	17
VIII	B/A	1	37	44	11	7
	1940	1	15	47	21	16
IX	B/A	1	6	32	26	35
	1940	1	4	24	24	47
X	B/A	6	20	37	17	20
	1940	4	13	31	16	36
XI	B/A	2	8	37	24	29
	1940	1	5	26	25	43
XII	B/A	8	34	40	10	8
	1940	2	16	39	20	23

1/ Less than one-half percent.

2. Increase in Home Use Products.

Net income is the sum of the value of home use products plus other income, which is largely cash except for rental value of dwelling. The rental value of the dwelling has probably not changed since coming on the program, and therefore the increase in income will consist largely of home use products and cash.

The FSA program has been emphasizing a "live at home" plan of producing a large percentage of foods on the farm. Table 4 shows that considerable progress has been made in increasing the value of home use products, the average family increasing the value of these items by nearly two-thirds.

Table 4. Average Value of Home Use Products Year Before Acceptance Compared with 1940

Region	Average value		Increase		Value of home use products as percent of net family income	
	B/A	1940	Dollars	Percent	B/A	1940
	Dollars	Dollars	Dollars	Percent	Percent	Percent
U. S.	$ 163	$ 264	$ 101	62	34	40
I	237	322	85	36	28	33
II	127	207	80	63	21	25
III	142	215	73	51	25	29
IV	285	371	86	30	48	48
V	125	241	116	93	45	61
VI	160	290	130	81	47	58
VII	144	238	94	65	31	35
VIII	170	300	130	76	36	45
IX	161	216	55	34	17	20
X	156	238	82	53	21	24
XI	165	240	75	45	20	23
XII	152	254	102	67	34	35

It is interesting to note that the average value of home-produced goods on all farms in the United States in 1940 was $202 (computed from The Farm Income Situation, BAE, September, 1941, page 8). RR borrowers before coming on the program were considerably below this amount with an average value of $163, while by 1940 they had appreciably exceeded it with an average production of $264.

Before coming on the program these families were earning about one-third of their net incomes in home produced foods; by 1940 this had been stepped up to 40 percent. This program of production for home use has shown definite success.

In the South, home use production accounted for a much larger percent of the net family income than was true in other areas. (See Table 4). Not only were incomes low in the South, but a larger proportion of the income was non-cash than was true in other areas.

The progress of borrowers in production of fruits and vegetables, milk, and meat is given in tables 5, 6, and 7. The average production of borrowers is shown for four years and for 1940 as given by the Family Progress Reports for each of these years. The before-acceptance figure was from the 1940 Report and refers to only the group of borrowers who were classified as active standard in 1940.

Table 5. Fruits and Vegetables (Quarts per Person)
Production from 1937 to 1940

Region	1937	1938	1939	1940	B/A
U. S.	53	43	49	53	29
I	45	40	41	43	33
II	48	40	47	51	34
III	67	55	70	65	45
IV	62	43	58	56	39
V	25	28	32	40	13
VI	60	58	57	60	20
VII	27	19	23	38	19
VIII	71	52	50	63	28
IX	56	50	51	55	43
X	45	37	44	52	31
XI	85	73	73	75	56
XII	39	33	41	46	23

The average quarts of fruits and vegetables canned per person in 1940 was nearly double the before-acceptance figure. Goals of canning vary by regions, but if 80 quarts is assumed as a goal, 1940 production was only about two-thirds of that amount. Variations among regions were great. Region XI averaged nearly twice the canning of Region VII, for example. Although the figures for the different years may very because of differences in reporting, canning progress did not show an upward trend by years.

Milk production by 1940 had increased about one-third. If 90 gallons per person were assumed as a goal, it can been seen that most regions were fairly close to this goal. Regions III and XII were only barely under 90 gallons, and no region was under by more than 25 gallons. Production in 1940 was considerably below that of 1938 and 1939. Meat production (Table 7) has increased about one-half over the production before acceptance, but was under the 1939 figure. Furthermore, it must be remembered that these measures of home use production are averages. Many families are far below these averages.

Table 6. Milk (Gallons per Person) Production 1937 to 1940

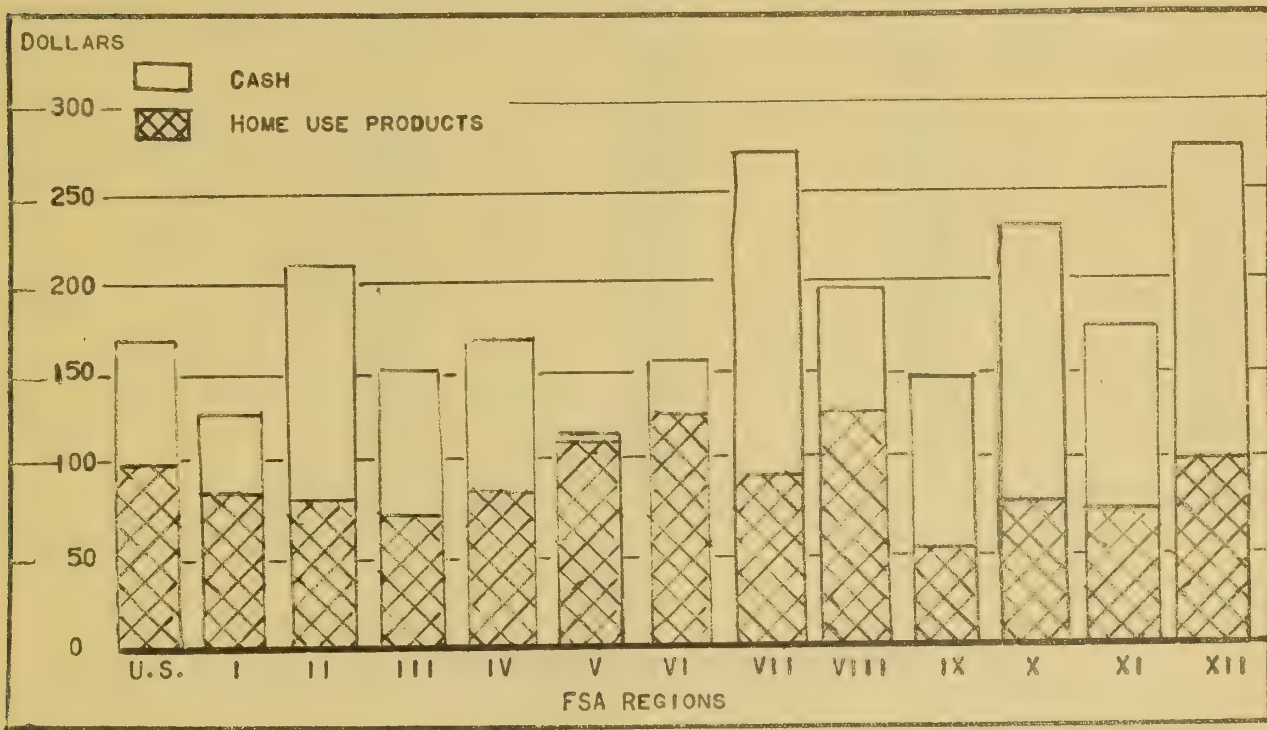
Region	1937	1938	1939	1940	B/A
U. S.	47	90	91	78	60
I	67	96	82	69	58
II	55	69	66	69	49
III	43	105	101	88	67
IV	51	87	108	83	69
V	39	69	69	65	43
VI	60	90	86	82	52
VII	28	95	82	80	62
VIII	52	115	116	84	65
IX	32	96	101	81	70
X	25	92	101	80	71
XI	25	108	96	81	67
XII	63	106	97	88	67

Table 7. Meat (Pounds per Person) Production 1937 to 1940

Region	1937	1938	1939	1940	B/A
U. S.	68	74	91	78	52
I	68	73	82	64	49
II	89	72	66	74	45
III	74	87	101	91	63
IV	92	80	108	80	65
V	43	74	69	77	47
VI	42	46	86	68	36
VII	81	74	82	82	52
VIII	60	71	116	79	45
IX	66	59	101	62	48
X	81	84	101	81	61
XI	96	96	96	76	53
XII	71	70	97	76	48

Figure II shows the increase in income of RR borrowers since coming on the program and the source from which the increase came. Over one-half of the increased income was a result of more home production. In Regions V and VI progress in increasing incomes is predominately a matter of increased home production. Although such production will raise the level of living, it is not possible for borrowers to improve their houses, buy farm assets, pay doctor bills, or repay their loans unless a saving is made in cash family expenditures. However, these expenditures have increased rather than decreased.

FIGURE II. INCREASE IN NET INCOME OF RR BORROWERS SINCE COMING ON THE PROGRAM ACCORDING TO SOURCE OF INCREASE



Despite the increased home production, farm families were not able to decrease expenditures for products not produced on the farm. The average cash expenditure per person in 1940 was somewhat higher than the before acceptance expenditure (See Table 8, page 8). Although the increase in expenditure had been but an average of $21.00 per family, it may be significant that expenditures have not decreased. The average increase in home use production of about $100 per family was not being substituted for cash family living expenditures, but was being added to them.

Variations among regions in 1940 cash family living expenditures were great. Regions IX and XI were more than twice the nation's average while Regions IV, V and VI were little more than half of this figure. Cash expenditures per person in Region IX were nearly as much as expenditures per family in Regions V and VI.

Table 8. Cash Living Expenditures of RR Borrowers Year Before Acceptance Compared with 1940

Region	Expenditures per family B/A	Expenditures per family 1940	Expenditures per person B/A	Expenditures per person 1940
	Dollars	Dollars	Dollars	Dollars
U. S.	232	253	46	51
I	462	466	92	93
II	343	357	69	71
III	284	293	57	59
IV	188	215	31	36
V	126	143	25	29
VI	145	148	29	30
VII	297	373	59	75
VIII	204	228	41	46
IX	489	521	122	130
X	396	443	79	89
XI	446	447	112	112
XII	311	348	62	70

B. IMPROVEMENT IN FARM RESOURCES

Net worth is the excess of assets over debts. It is only by increasing or at least maintaining net worth that low-income families can be established on a permanent self-supporting basis. A study of net worth changes among RR families gives less reason for optimism than changes in net incomes. The average increase in net worth for all RR borrowers was $180 or 21 percent over before-acceptance net worth. However, many families showed decreases in net worth. Even if debt adjustment is not allowed for, borrowers in three regions representing over one-fourth the case load decreased in average net worth. (See Figure III, on page 9).

While debt adjustment is important in rehabilitation, it is not a result of the efforts of the family. For purposes of comparison it might be separated from other net worth changes in considering progress. When debt adjustment is not included, net worth figures are less favorable. The average increase per borrower has been reduced to $132, with five Regions, including about one-third of all borrowers losing in net worth. These decreases ranged from a loss of $237 in Region I to a $20 decrease in Region V.

FIGURE III. AVERAGE NET WORTH BEFORE COMING ON PROGRAM AND IN 1940, FOR ALL BORROWERS

(INCLUDES REAL ESTATE ASSETS AND DEBTS. DEBT ADJUSTMENT NOT OMITTED)

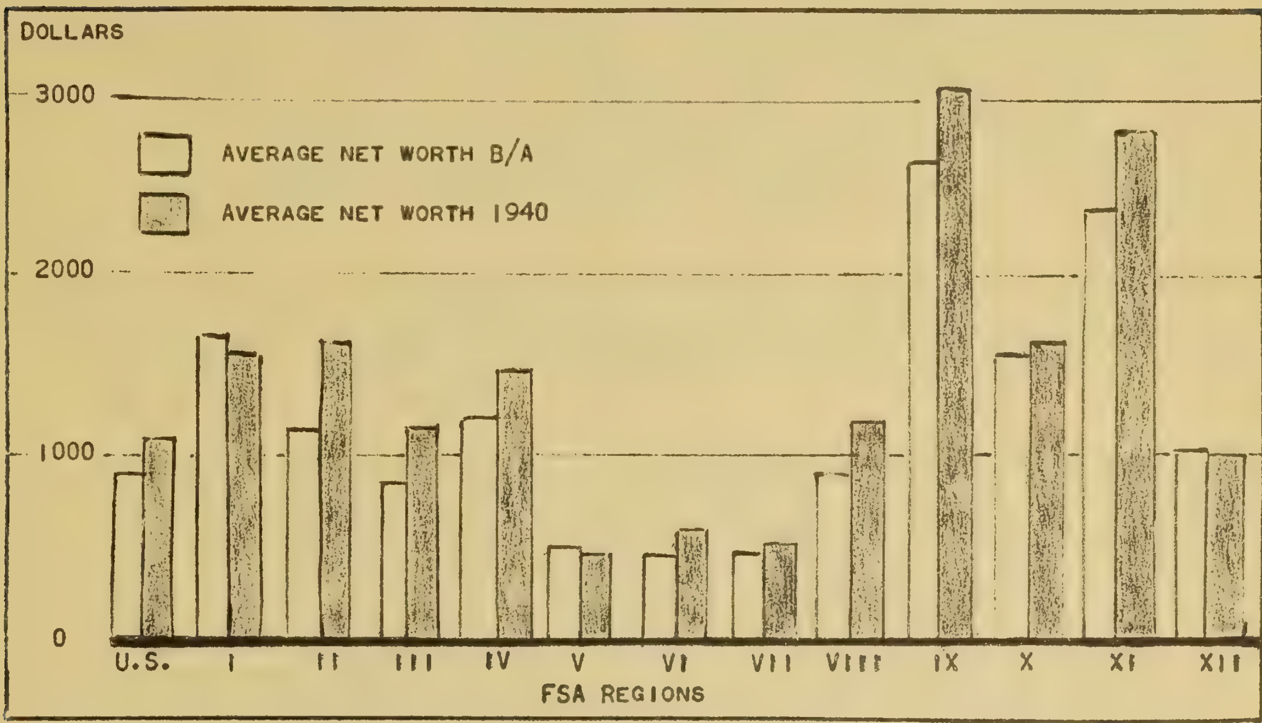


Table 9. Distribution of Borrowers According to Change in Net Worth ~~Exclusive~~ Inclusive of Real Estate

Region	Decrease in net worth	Increase in net worth 0 - 49%	Increase in net worth 50 - 99%	Increase in net worth 100% and over
	Percent	Percent	Percent	Percent
U. S.	34	29	12	25
I	47	28	10	15
II	19	36	15	30
III	25	33	14	28
IV	23	45	13	19
V	48	22	10	20
VI	33	27	12	28
VII	43	18	10	29
VIII	25	31	13	31
IX	34	35	12	19
X	50	21	8	21
XI	35	29	13	23
XII	48	19	8	25

Percent of borrowers in each group.

The data were also tabulated for changes in net worth ~~ex~~inclusive of real estate assets and real estate debts (See Table 9, page 9). These figures show the progress borrowers are making in increasing equity in land and working capital such as livestock and machinery. ~~Such data are also not influenced by any over-valuation of real estate that may have occurred in earlier years.~~ One third of all borrowers had less net worth ~~ex~~inclusive of real estate in 1940 than in the year before acceptance. Almost half of the borrowers in Regions I, V and XII decreased their equity in ~~working~~ total capital since coming on the program.

The progress shown in net worth improvement is not encouraging. Most borrowers were not showing as much improvement as might be warranted by the increase in incomes. In some instances it appeared that income was increasing at the expense of net worth.

Net income or net worth alone cannot give an accurate picture of financial progress. Families increasing their net incomes may often be reducing their net worth from year to year; on the other hand, some families showed increased net worth although their net incomes decreased. There are a number of reasons why this condition may occur. A family may be building up its inventory of livestock and feed. This increase is reflected in higher net worth, but since these products are not yet sold, they do not enter the income picture. The reverse situation might occur when a borrower decreases his inventory of livestock and feed, the cash obtained from such sales swelling his income.

A factor that may be of considerable importance in the net worth and net income picture is the repayment of loans. The income of a borrower may increase, but unless some of this increased income is used to pay off loans or to increase assets, net worth will not increase. If loans are made for operating expenses or for family living and such loans are not repaid out of current income, net worth will be decreased.

In Table 10 changes in net income are compared with changes in net worth. Many of the regions that ranked high in income increases alone, did not show up well in net worth. The regions showing the largest increase in incomes, VII, X and XII all had a decreased net worth if debt adjustment was not considered. On the other hand, regions III and IX which ranked low in net income increase, showed up better when net worth improvement was also considered (See Table 10, page 11).

Table 10. Average Change in Net Income Compared With Average Change in Net Worth from Year Before Acceptance to 1940

Region	Average change in net worth	Debt adjustment	Net worth change exclusive of debt adjustment	Net income change
	Dollars	Dollars	Dollars	Dollars
U. S.	180	48	132	170
I	- 89	149	- 238	130
II	510	76	434	215
III	309	57	252	153
IV	268	5	263	171
V	- 10	10	- 20	118
VI	142	12	130	157
VII	70	187	- 117	275
VIII	272	30	242	200
IX	416	27	389	150
X	39	164	- 125	235
XI	435	88	347	175
XII	- 5	80	- 85	277

PART II. SOME FACTORS RELATED TO FAMILY PROGRESS IN REHABILITATION

It is important to know which group of borrowers are making progress and which are not. Figures are presented in this section with respect to income level before acceptance and to the length of time on the program.

A. THE RELATION OF BEFORE ACCEPTANCE INCOME LEVEL TO PROGRESS

In the 1940 Progress Report borrowers were classified as to their net income the year before coming on the program. This made it possible to study the different groups in relation to progress. After the borrowers were classified it was found that Regions V, VII, X and XII accounted for the bulk of the "negative income" groups - families that actually lost money. The Southern Regions of V and VI took in well over half of the $0 to 299 group, while the $300 to 699 families were distributed fairly evenly through Regions III, IV, V and VI. The higher income families were somewhat scattered with the heaviest percentage in Regions I, XI and XII.

1. Improvement in Net Income.

It was observed that the average increase in net income for all borrowers from the year before acceptance to 1940 was $170. Of course, some borrowers gained more than others, and some actually decreased their net family incomes.

The greatest income increases were in the group of borrowers that had negative income before acceptance. This group is unusual in several respects and can scarcely be called typical of the lowest-bracket borrowers. The negative income group was sub-divided into those who lost over $200, and into those who lost from $0 to 199. More than one-half of the minus $200 group were located in the Plains area. The average investment and size of farm were nearly twice that of the average borrower, while cash family living expenses were also double the average. This group was made up in a large part of borrowers who were affected by drought and showed rapid recovery when climate improved. The negative $0 to 199 group had similar though not so extreme characteristics and was also somewhat concentrated in the Plain Area. For these reasons the progress of the negative income group was not typical of that of all low-income families. Table 11 shows how each group has progressed in income improvement. The lower-income groups have been superior to the higher-income borrowers in this respect.

Table 11. Average Increase in Income from Year Before Acceptance to 1940 by Income Groups Before Acceptance

B/A income group	Percent sample cases in each income level B/A	Average net income B/A	Average 1940 net income	Increase: Dollars	Increase: Percent
$-200 or less	1/	$ - 508	$ 727	$ 1,235	2/
- 1 - 199	1	- 71	424	495	2/
0 - 99	5	62	307	245	398
100 - 299	29	208	428	220	106
300 - 499	28	392	597	205	52
500 - 699	17	589	754	165	28
700 - 999	12	824	929	105	13
1000 - 1499	6	1,189	1,147	- 42	- 3
1500 - 2999	2	1,909	1,542	- 367	- 19
3000 - or more	1/	4,470	2,389	-2,081	- 47
All Borrowers	100	480	650	170	35

1/ Less than 1 percent.
2/ Percentage increase of negative incomes not computed.

It is interesting to note that the smaller the before-acceptance net income, the greater the absolute increase in 1940 net income. Every group with a before-acceptance net income below $500 was above the average income increase of $170, while every group above $500 was below the average.

Table 12 shows the distribution of borrowers according to percentage increase in net income. (The income groups have been combined to a greater extent in this table than in table 11). The income group from $0 to $299 shows much more percentage progress than in the higher income groups. Of course increases in the lower brackets of income look especially high since modest increases in small incomes show up large in percentages.

Table 12. Percentage Distribution of Borrowers by Change in Income Since Coming on the Program According to Income Level Before Acceptance

Income level B/A	Number of sample cases in each level B/A	Percent of borrowers in each group				
		Percentage increase in income over B/A				
		Decrease	0 - 49%	50 - 99%	100 - 199%	Over 200%
Dollars	Number	Percent	Percent	Percent	Percent	Percent
Negative	1,267	5	1/			
0 - 299	27,528	13	20	19	23	25
300 - 699	36,628	24	38	22	13	3
700 - 999	9,274	42	41	12	4	1
1000 and over	6,255	61	30	7	2	*
All Borrowers	80,952	25	31	18	15	11

1/Percentage increase in negative incomes B/A not computed.
* Less than one-half percent.

Borrowers have shifted considerably from one income level to another since coming on the program. In table 13 is shown the present position of borrowers in income level according to their income level before coming on the program. The borrowers with before acceptance incomes under $700 have shifted to higher income levels, while borrowers with incomes of $700 or more have moved downward.

Table 13. Percentage Distribution of RR Borrowers by 1940 Income Level According to Before-Acceptance Income Level

Income level B/A	Number of sample cases in each level B/A	Percent of borrowers in each group				
		Income level 1940				
		Negative	$0 - 299	$300-699	$700-999	$1000 +
Dollars	Number	Percent	Percent	Percent	Percent	Percent
Negative	1,267	9	31	34	14	12
0 - 299	27,528	2	36	51	8	3
300 - 699	36,628	1/	8	57	24	11
700 - 999	9,274	1	3	25	36	35
1000 and over	6,255	1	2	15	19	63
All Borrowers	80,952	1	17	47	20	15

1/ Less than one-half percent.

2. Improvement in Farm Resources.

Progress of the various income groups in improving their net worth is considerably different from that of net income. Table 14 below shows that the average net worth of the lower income groups was improving much less rapidly than the higher income groups. There was definite concentration of losses at the lower income levels.

Table 14. Increase in Net Worth of Borrowers from Before Acceptance to 1940, According to Income Level Before Acceptance 1/

Region	Negative income	$ 0 to 99	$100 to 299	$300 to 499	$500 to 699	$700 to 999	$1000 and over	All borrowers
	Dollars increase in net worth							
U. S.	$ - 294	$ - 59	$ 40	$ 133	$ 212	$ 282	$ 276	$ 132
I	- 1,197	-237	-385	-180	-211	-151	-223	-238
II	208	314	385	368	499	471	511	434
III	450	347	180	211	257	272	429	252
IV	- 230	174	157	226	265	340	372	263
V	- 162	- 84	- 20	7	35	24	-266	- 20
VI	186	88	96	157	195	245	311	130
VII	- 423	-301	-197	- 68	- 10	- 57	161	-117
VIII	232	211	167	193	249	378	551	242
IX	- 69	528	106	381	294	628	321	389
X	- 400	-586	-318	-133	- 89	22	67	-125
XI	-1,434	-701	- 32	274	416	616	384	347
XII	- 417	-393	-121	67	18	58	-141	- 85

1/ Debt reduction was omitted to make the figures more comparable.

Families with negative incomes before acceptance showed considerable losses in net worth. Even with this unrepresentative group omitted the picture was still not favorable. The groups with low positive incomes did not show much increase in net worth. Their average position was somewhat improved over the year before acceptance, but the groups above $500 and up to $3,000 have increased their net worth considerably more than the lower-bracket borrowers. Families with incomes over $3,000 showed losses in net worth in two regions contributing to the average loss for the group of more than $300. Less than one-half of one percent of the borrowers were in this bracket, however.

Table 15 tells a more accurate story of borrowers' progress in net worth, since it gives the percentage of borrowers who decreased or increased their net worths (~~ex~~inclusive of real estate) after coming on the program. The lower-income groups showed a heavier percentage of losses in net worth (~~ex~~inclusive of real estate) than the higher-income borrowers.

Table 15. Change in Net Worth from Before Acceptance to 1940 of Borrowers in Different Before-Acceptance Income Groups 1/

Income level B/A	Percent of borrowers in each group			
	Decrease in net worth	Net worth increase		
		0 - 49%	50 - 100%	100% and over
Dollars	Percent	Percent	Percent	Percent
Negative	53	15	8	24
0 - 299	41	22	10	27
300 - 699	30	31	13	26
700 - 999	28	39	13	20
1000 and over	30	40	12	18
All Borrowers	34	29	12	25

1/ (~~Exclusive~~ Inclusive of real estate assets and debts).

Net income or net worth alone does not give an accurate picture of progress. There is a tendency of borrowers with low incomes to convert all available cash into family living so that net worth is not increased. On the other hand, the higher-income borrower showed, in some cases, decreases in net incomes while their net worth was increasing. Furthermore, if loans were not repaid as due and supplemental loans were made, net worth was decreased. Changes in net income and net worth by income levels are compared in Table 16.

Table 16. Average Change in Net Worth of Borrowers Compared with Income Changes from Year Before Acceptance to 1940

Income level B/A	Change in net worth 1/	Debt adjustment	Net worth change excl. debt adjustment	Net income change
Dollars	Dollars	Dollars	Dollars	Dollars
200 or more	- 328	317	- 645	1,235
- 1 - 199	- 80	90	- 170	496
0 - 99	- 31	28	- 59	245
100 - 299	62	22	40	221
300 - 499	168	35	133	205
500 - 699	260	48	212	165
700 - 999	358	76	282	105
1000 -1499	398	108	290	- 41
1500 -2999	511	205	306	- 367
3000 & over	370	673	- 303	-2,083
All Borrowers	180	48	132	170

1/ Includes real estate assets and debts.

The 1939 Family Progress Report indicated that borrowers in different income groups have been approximately the same percentage repayments on loans (varying from 31.3 percent to 33.4 percent). However, many more loans were made to the lower-bracket borrowers in the early years of the program than were made to the upper-income groups. For instance, 72.8 percent of the loans to borrowers with before-acceptance incomes of under $300 were made in 1935, whereas only 1.3 percent of the loans to borrowers with incomes of $1,000 and over were made in that year. This would indicate that the lower-bracket borrowers are probably much further behind in payments than the higher-income borrowers. This continuance of debt partly accounts for the decreases or only small increases of net worth among the lower-income borrowers. Many of the large increases in net incomes do not look favorable when compared with net worth changes.

The average amount of loans outstanding for borrowers in different income groups is shown in Table 17. The lower-bracket borrowers have much less net worth compared to their loans outstanding than borrowers with before acceptance incomes of over $500.

Table 17. Average Amount Outstanding on Loans in 1940 For Borrowers of Different Before Acceptance Income Levels

Region	Average net family income B/A							
	Negative	$ 0 to 99	$100 to 299	$300 to 499	$500 to 699	$700 to 999	$1000 and over	All borrowers
U. S.	$ 1,265	$ 689	$ 576	$ 607	$ 671	$ 769	$ 1,037	$ 675
I	1,818	1,088	1,126	976	941	1,031	1,251	1,101
II	997	842	796	807	825	885	1,055	853
III	795	644	584	605	649	702	809	651
IV	531	364	282	273	278	312	400	296
V	679	541	494	511	547	585	723	515
VI	473	450	414	392	396	434	465	407
VII	1,583	1,424	1,320	1,241	1,221	1,240	1,386	1,296
VIII	768	547	503	561	644	787	1,094	621
IX	1,202	1,023	916	906	999	1,048	1,145	1,051
X	2,428	2,184	1,862	1,805	1,950	1,913	2,168	1,985
XI	1,434	1,135	1,005	938	939	1,011	1,262	1,066
XII	1,453	1,026	885	905	981	1,061	1,225	1,008
Av. net worth 1940	626	326	500	842	1,245	1,836	2,836	1,051

3. Improvement in Family Living.

Cash family living expenditures are compared with net cash income plus grants in Table 18 (see next page). This cash is the total amount available for all expenditures except cash operating expenses which have already been deducted. Therefore this cash sum must provide for cash family living expenses, for capital expenditures, and for loan repayments. The table helps to explain the reason for the lower-income families losing in net worth. The families in two of the lower-income brackets actually spent more for living than they had cash available. Not only were they unable to repay capital loans, but loans had to be made to supply the deficit between cash available and cash family expenditures. The deficit or very small surplus cash of the lower-bracket borrowers contrasted with an appreciable surplus in incomes of $700 and higher. Borrowers below the $700 level had little possibility of adding to their net worths.

Considerable progress has been made in increasing the net cash incomes of borrowers in the lower-income levels (Table 19).

Table 19. Cash Family Living Expenditures Compared with Net Cash Income, Year Before Acceptance and 1940 1/

B/A income group	Year before acceptance: Net cash income	Year before acceptance: Cash living expenditures	1940: Net cash income	1940: Cash living expenditures
- $ 200 or more	- $ 764	$ 402	$ 377	$ 426
- 1 - 199	- 226	228	164	282
0 - 99	- 41	130	91	175
100 - 299	+ 66	142	166	177
300 - 499	233	201	280	226
500 - 699	321	277	397	286
700 - 999	499	344	528	345
1,000 -1,499	819	436	707	425
1,500 -2,999	1,470	559	1,043	542
3,000 and over	3,850	676	1,773	688
All Borrowers	$ 275	232	328	253

1/ Grants not included in income in either period. Rent also not included.

Table 18. Cash Available for All Uses in 1940 Compared to Cash Living Expenditures in 1940 and Changes in Net Worth From Before Acceptance to 1940

Item	B/A income level										
	Minus net income		Positive net income								
	$ -200 or more	$ -1 to 99	$0 to 99	$100 to 299	$300 to 499	$500 to 699	$700 to 999	$1000 to 1499	$1500 to 2999	$3000 and over	All
Net cash receipts 1/	$376.59	$163.59	$ 91.18	$165.93	$279.87	$397.21	$528.01	$707.31	$1042.81	$1772.80	$327.55
Grant	57.00	64.00	60.00	41.00	32.00	32.00	33.00	33.00	46.00	63.00	37.00
Total cash	433.59	227.59	151.18	206.93	311.87	429.21	561.01	740.31	1088.81	1835.80	364.55
Cash family living expenditures	426.00	282.00	175.00	177.00	226.00	286.00	345.00	425.00	542.00	688.00	253.00
Surplus above living expenditures	7.59	-54.41	-23.82	29.93	85.87	143.21	216.01	315.31	546.81	1147.80	111.55
Change in net worth 2/	-645.00	-170.00	-59.00	40.00	133.00	212.00	282.00	290.00	306.00	-303.00	132.00

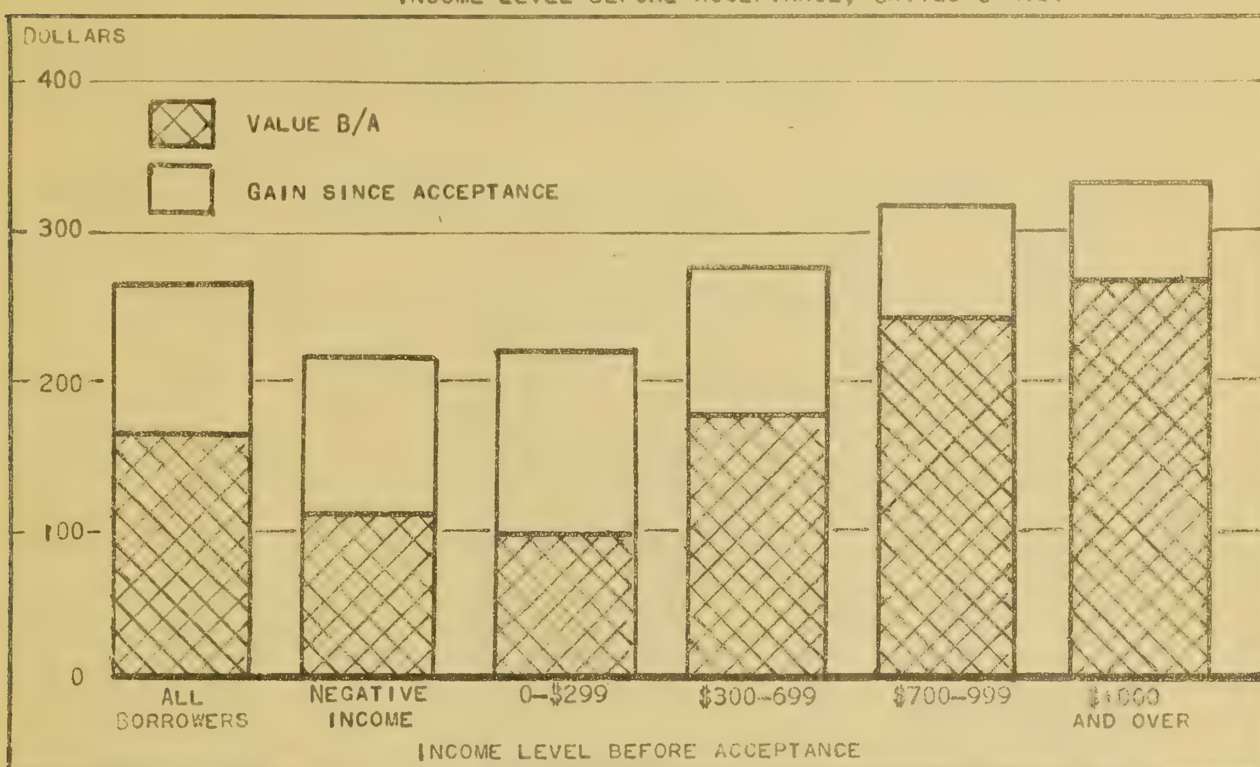
1/ The Progress Reports included rent as part of net income, and since tabulation were not made of rent, this item could not be removed directly. Consequently, rent was computed at 6 percent of the gross income, the method followed by BAE, and this amount subtracted to give an income figure exclusive of rent. According to BAE, rent computed at 6 percent of the gross income is equivalent to figuring rent at 10 to 12 percent of the value of the dwelling. Such figures should closely approximate FSA estimates. (See The Farm Income Situation, September, 1941 page 10)

2/ Exclusive of debt adjustment.

It is seen in Table 19 that the borrowers with incomes of less than $300 before acceptance spent considerably more than their net cash incomes in the year before they were taken on the program. They must have been either receiving income that was not reported or accumulating debts. Only in one of these ways could family living expenditures have been met. In 1940 the low-income borrowers came nearer to earning enough income to cover cash living expenses. However, living expenses still exceeded income in the income levels under $300, showing the need for more cash income or a reduction in cash family living expenditures.

The families in the different income groups can also be compared in value of home use products. (See Figure IV). The lower-income groups were greatly below the average of all borrowers before coming on the program, but their production had increased by 1940 more than the higher-bracket borrowers, so that they had gained in relative position.

FIGURE IV. AVERAGE INCREASE IN VALUE OF HOME USE PRODUCTS FROM BEFORE ACCEPTANCE TO 1940 AS RELATED TO INCOME LEVEL BEFORE ACCEPTANCE, UNITED STATES



B. THE RELATION OF LENGTH OF TIME ON THE PROGRAM TO FAMILY PROGRESS

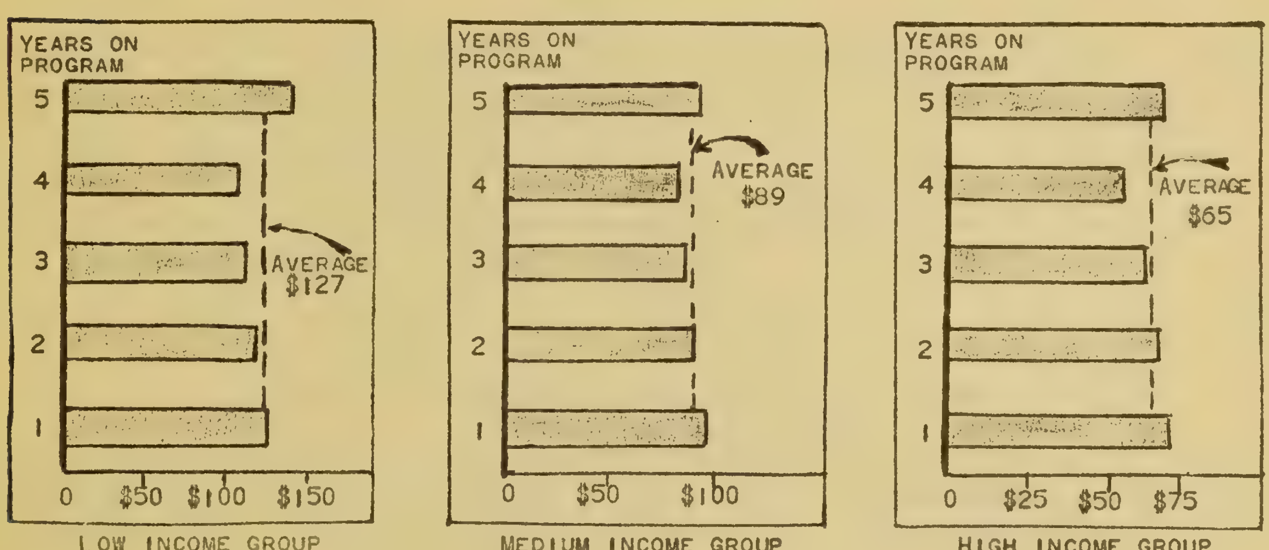
The Farm Security Administration has been in operation since 1935 and it is now possible to compare the progress of the early borrowers with the progress of the more recent. One of the aims of the FSA program is to teach borrowers to be better farmers, the assumption being that habits and attitudes may gradually be changed so that at the end of a period of years of supervision a borrower will have acquired an improved set of techniques and a better outlook as well as a better stock of resources, thereby becoming able to provide for his family without help. It would be expected that greater and greater progress would be made by the farmer each year, until at the end of the period, he would have reached and could maintain alone at least a minimum level of living.

Both the 1939 and the 1940 Family Progress Reports were tabulated according to the year in which each borrower came on the program, and thus comparisons are possible among borrowers who have been on the program varying lengths of time. The 1939 Progress Reports are the most valuable for this purpose because they make comparisons of borrowers in different income groups with respect to year-to-year progress. Comparisons of borrowers of similar income groups who were taken on in different years should be fairly valid. That is, the group of borrowers with a $0 to $99 net income before acceptance who became borrowers in 1935 should be reasonably comparable to the group of borrowers of a similar income level taken on last year.

Tables were arranged to show the progress of a particular income group according to the length of time for which they have been borrowers. In this study three income groups were set up - low, medium, and high. The borrowers with before acceptance net incomes of $0 to $99 were selected as typical of the low-income bracket, while the $300 to $499 bracket was used for the medium level, and $700 to $999 was taken to represent the high-income group. The progress of the borrowers in these different groups was then compared according to the years during which the families became borrowers. The purpose of the comparison was to show what influence the length of time on the program might have on progress.

The results of the study were not encouraging. Figure V shows home use production of the three income groups by years. In the low-income

FIGURE V. RELATION OF LENGTH OF TIME ON PROGRAM TO INCREASE IN VALUE OF HOME USE PRODUCTS



group the borrowers who had been on the program for five years showed production for home use considerably above the average of the group, and this was also true for five year borrowers in the other income groups but not for borrowers in any other year grouping. There is no indication that borrowers in general who have been on the program the longest length of time are producing more home use products than those who have been borrowers only one year. Progress is often well reflected by increased home production and if the borrowers were learning better techniques, home production would no doubt show increases.

Changes in net income are given in Table 20. Again not much greater progress

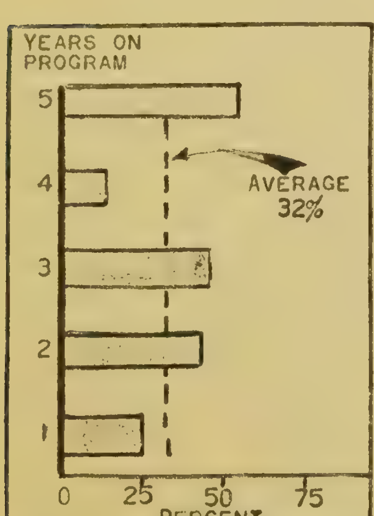
Table 20. Relation of Years on Program to Progress in Increasing Net Income

Net income	Length of time on R.R. program					Average all years
	5 years	4 years	3 years	2 years	1 year	
Low Income Group						
1939	$275	$315	$321	$286	$226	$284
B/A	49	48	49	49	51	49
Increase	226	267	272	237	175	235
Medium Income Group						
1939	547	585	595	562	515	561
B/A	379	388	392	392	390	389
Increase	168	197	203	170	125	172
High Income Group						
1939	839	859	847	855	843	850
B/A	812	816	825	821	823	821
Increase	27	43	22	34	20	29

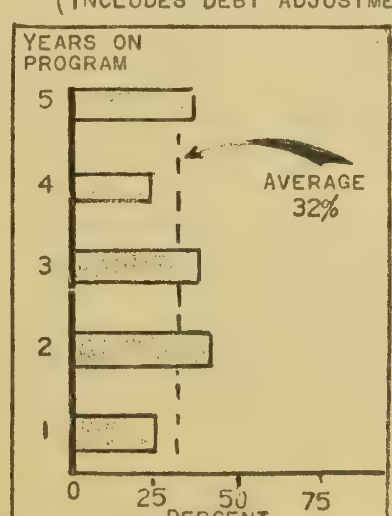
is shown by the borrowers who have been on the program the longest. In fact the five years borrowers in each income group were below the average income increase. On the other hand the four year borrowers were somewhat above average in each income level and this was also true in part of the three year group, while the one year borrowers were below average. This was the only indication that earlier borrowers were more successful in increasing their net incomes than more recent borrowers.

Net worth changes are shown in Figure VI, below.

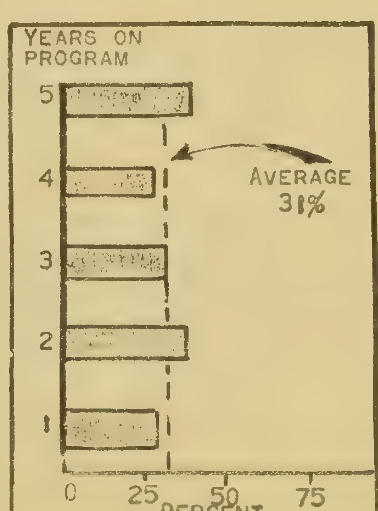
FIGURE VI. RELATION OF LENGTH OF TIME ON PROGRAM TO INCREASE IN NET WORTH (INCLUDES DEBT ADJUSTMENT)



LOW INCOME GROUP



MEDIUM INCOME GROUP



HIGH INCOME GROUP

The earlier borrowers appeared slightly superior to the more recent borrowers in improvement in net worth. Except for the four-year group there was some indication of a progressive increase in net worth as years on the program increased. In each of the income levels, the five-year group was substantially above average, and the second and third-year borrowers somewhat above average. However, the 1936 group was far below average, and two-year borrowers have increased their net worth about as much in that time as the 1935 borrowers did in five years.

Another indication of progress might be change in the size of their farms since the borrowers came on the program. Increased acreage often indicates some increased ability to farm successfully. Table 21 shows change in size of farms operated by borrowers on the program for different lengths of time. Again there appears to be no relation between length of time on the program and increased acreage. The five-year borrowers were usually above the average increase, but the four and three-year borrowers were below average.

Table 21. Relation of Length of Time on Program to Increase in Size of Borrowers' Farm

Size of farm	Length of time on program: 5 years	4 years	3 years	2 years	1 year	Average all years
Low Income Group						
1939, acres	86	127	131	128	86	108
B/A, acres	33	89	92	88	59	73
% Increase	62%	43%	42%	45%	46%	48%
Medium Income Group						
1939, acres	118	134	144	146	128	135
B/A, acres	86	98	107	109	85	97
% Increase	37%	37%	35%	34%	51%	39%
High Income Group						
1939, acres	211	166	178	207	199	191
B/A, acres	153	139	151	165	164	156
% Increase	38%	19%	18%	25%	21%	22%

Comparison of changes in home use production, in net income, net worth and in size of farms givesno basis for believing that borrowers were becoming better producers from one year to the next. The first year borrowers showed about as much progress in one year as older borrowers did in four and five.

What might one conclude from this aspect of the study? Are supervisors spending too much time on new loans, and slighting old borrowers? Are supplemental loans not being accompanied by as much supervision and planning as new loans? Do borrowers reach a level or progress almost immediately and find difficulty in progressing above this? The data indicate that long-time borrowers are not showing the progress that might be expected. What are the reasons?